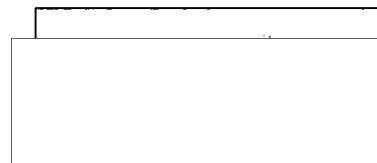




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Libyan-Maltese relations have not expanded as planned under a series of cooperation agreements. Tripoli probably will try to increase its involvement in local politics and the economy, but the Maltese Government is unlikely to compromise the country's independence for Libyan money. [redacted] 25X1

Some articles in the Near East and South Asia Review are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the view of a single analyst; an item like this will be designated as a noncoordinated view. [redacted] 25X1

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Near East and
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Article

Libya-Malta: Tenuous Ties

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Libyan-Maltese relations have not expanded as planned under a series of cooperation agreements, but we believe this will soon change. Tripoli probably will try to increase its involvement in local politics and the lagging Maltese economy to gain leverage over the government and to exert pressure on the opposition in advance of impending Maltese elections. We believe that Libya's efforts will be viewed with suspicion by the Maltese Government, but, if Valletta believes economic gains are possible, ties may well increase. Prime Minister Bonnici, however, is unlikely to compromise Malta's independence for Libyan money.

Setting the Stage

Libyan-Maltese ties over the last several years have been shaped by Tripoli's pretensions to regional power and Valletta's need for economic relief, rather than by converging interests. As a result, relations have been rocky at best:

- In 1983, when a series of trade agreements were signed, relations warmed.
- Ties expanded even more in late 1984, when a friendship and cooperation agreement was signed as well as a military accord that, among other things, guaranteed Malta's neutrality.
- In late January 1985 relations cooled. Malta balked when Tripoli pressed Valletta to increase bilateral military cooperation on terms that favored Libya. Malta eventually agreed to allow Libyan ships to be serviced in Maltese repair yards.

Relations remained relatively low key but correct throughout 1986, despite less than enthusiastic Maltese support for Libya after the US air raid.

Careful not to step on either side's toes, the Maltese statement about the incident was temperate in tone—failing to refer explicitly to “US aggression” or even to use the word aggression at all. According to press reports, however, the Maltese alerted Libya to the oncoming US planes on 15 April.

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Current Relations

Military Links. Although Libya still uses some of Malta's maritime facilities, Libyan-Maltese military cooperation is virtually nonexistent. The 1984 military agreement called for a Libyan assessment and preparation of a Maltese defense and security plan. In addition, the accord said that Libya would provide training and equipment to the Maltese, that liaison officers would be exchanged, and that military industries would be established in Malta with Libyan participation. To date:

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- Libya has not given the Maltese a defense and security plan.
- No forces have been trained in Libya or Malta.
- No military industries have been created, nor have Maltese personnel been employed in Libyan military installations.

Libya supplied Malta with some weapons in 1985 but has provided none since.

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Political Ties. Libyan-Maltese political cooperation is only marginal. Malta is reluctant to become closely involved with Libya.

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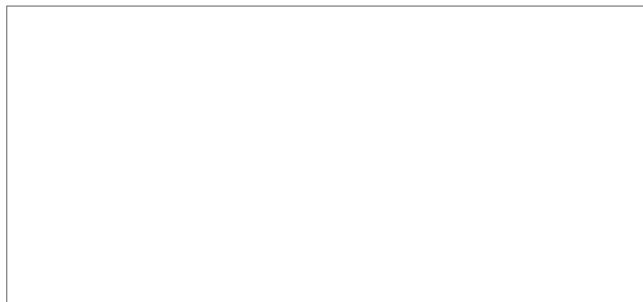
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Tripoli is probably counting on the Maltese Government's concern for its sluggish economy to accept more Libyan involvement in the Maltese economy. [redacted]

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[redacted] We believe [redacted]

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agreements that would further facilitate new business ties are in train—accords governing such issues as ownership in joint projects and free passage between the two countries. [redacted]

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Economic Exchanges. On the economic front, Libyan-Maltese relations have been even less exciting. Trade has been conducted between the two countries under several agreements, but lax Libyan payment policies have not made the relationship worthwhile for Malta. Libya also owns at least partial interest in several large Maltese firms, but payment problems have diluted the benefits. [redacted]

Looking Ahead

A significant expansion of economic relations will hinge on the successful settlement of Libyan debts to Maltese firms. [redacted]

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[redacted] The volume of trade has also fallen. The latest data available show Libyan imports fell by nearly 30 percent during the first nine months of 1986. [redacted]

The more than \$215,000 owed this firm is threatening the large engineering and construction organization's financial health, according to Embassy sources. The repayments schedule for other enterprises—if there is one—is unclear. [redacted]

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New Penetration Efforts

We believe Qadhafi is intent on developing stronger ties to whoever is in power in Valletta to further his own aims. Qadhafi invited both the ruling Labor Party leadership and the opposition Nationalist Party to the Libyan General People's Congress in late February. According to the Nationalist Party leadership, this was the first time in many years that the party had been invited to participate in any Libyan-sponsored activity. [redacted]

We believe that, as long as closer relations with Libya focus on increased trade and economic assistance, Prime Minister Bonnici will cooperate with Qadhafi. In our judgment, however, Bonnici will avoid committing himself so completely to Libya that he compromises Malta's independence and antagonizes the anti-Libyan Maltese populace. In particular, we expect him to resist Libyan pressure for a larger military presence, but Bonnici would probably be open to planning, and some implementation, of a Maltese defense system as defined in the agreement of 1984. [redacted]

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In addition to these measures, we believe Libya wants to increase its involvement in the Maltese economy to gain further leverage over the government and to exert pressure on the opposition. As a first step, Tripoli probably will try to undertake projects that will ease Malta's difficult economic circumstances, especially unemployment. Libya could put more capital into the many joint Libyan-Maltese companies in Malta, thereby allowing more Maltese to be hired. Tripoli could also encourage the strongest of these firms to "share the wealth" by purchasing shares in other, less healthy companies, thereby boosting those enterprises' financial positions. [redacted]

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